

VZCZCXRO8393

OO RUEHAO RUEHCD RUEHGA RUEHGD RUEHGR RUEHHA RUEHHO RUEHMC RUEHMT
RUEHNG RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC
DE RUEHBU #1157/01 2961434
ZNR UUUUU ZZH
O 231434Z OCT 09
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4512
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 02 BUENOS AIRES 001157

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [EINV](#) [ETRD](#) [ELAB](#) [EAIR](#) [AR](#)

SUBJECT: ARGENTINA ECONOMIC AND FINANCIAL REVIEW, OCTOBER
16-22, 2009

REF: BUENOS AIRES 1137

11. (U) Provided below is Embassy Buenos Aires' Economic and Financial Review covering the period October 16-22, 2009. The unclassified email version of this report includes tables and charts tracking Argentine economic developments. Contact Econ OMS Megan Walton at WaltonM@state.gov to be included on the email distribution list. This document is sensitive but unclassified. It should not be disseminated outside of USG channels or in any public forum without the written concurrence of the originator. It should not be posted on the internet.

Debt

U.S. Court rules in Argentina's favor on frozen ANSES assets

12. (SBU) The U.S. Court of Appeals for the Second Circuit in New York ruled October 15 that a lower court judge erred in attaching assets for about \$200 million held in the U.S. by GoA's state retirement agency (Administracion Nacional de la Seguridad Social or ANSES). These funds were originally in private pension funds (AFJPs) portfolio, and were transferred to ANSES after GoA's decision to nationalize them. The order of attachment had been issued by U.S. District Court Judge Thomas Griesa of the Southern District of New York on December 11, 2008, who considered that the funds were subject to attachment to satisfy the claims of holdout creditors (that did not participate in the 2005 debt reconstructing). However, the Court of Appeals considered that the funds were not subject to attachment given that the Republic of Argentina or ANSES did not have the opportunity "to use the funds for any commercial activity whatsoever" a requirement for the attachment under the Foreign Sovereign Immunities Act. After this ruling, ANSES will be able to repatriate these funds to Argentina.

Trade

September trade surplus: worst monthly balance of the year

13. (SBU) On October 20, INDEC announced that the September trade surplus reached \$996 million, lower than the \$1.4 billion expected by private analysts and still lower than the \$1.6 billion achieved last year. During the month, exports declined 34% y-o-y to \$4.6 billion and imports dropped 31% y-o-y to \$3.6 billion. The decline in imports is due to very weak domestic activity as well as a number of import trade restrictions and the impact of a weaker peso. The

year-over-year decline of exports reflects in part a high basis of comparison as export volumes jumped in August and September 2008 following the end of the GoA-Ag conflict. In September, export quantities declined by 17% y-o-y, while export prices dropped 20% y-o-y. On the other hand, the 31% decline in imports was driven by a 15% decline in volumes and a 19% drop in prices. In spite of the 25% and 38 % accumulated fall in exports and imports, respectively, the trade surplus in the first nine months of the year increased \$13.3 billion, and is expected to close the year at \$16 billion, according to private estimates.

Economic Outlook

August monthly economic activity index up 1.0% y-o-y

¶4. (SBU) The National Statistics Agency (INDEC) announced October 16 that EMAE (the Monthly Economic activity index - a proxy for real GDP growth) increased 1.0% y-o-y in August, following a -1.5% y-o-y fall both in June and July. This increase was also stronger than the 0.4% y-o-y drop private forecasters expected INDEC to announce. In the first eight months of the year, EMAE increased a cumulative 0.2% y-o-y, which contradicts leading micro indicators and sector-level data that suggest a severe y-o-y contraction of activity to date. For example, imports declined a major 37% y-o-y and fiscal tax collection declined significantly in y-o-y real terms during January-August 2009. Most independent private sector estimates and surveys show that the economy has clearly been contracting since the fourth quarter 2008 and

BUENOS AIR 00001157 002 OF 002

estimate that GDP will contract by 2-3% in 2009.

Inflation expectations remained unchanged at 20% in October

¶5. (SBU) On October 19, the Finance Research Center of Di Tella University reported that inflation expectations for the next twelve months remained at 20% in October, similar to September's survey. The gap between Di Tella's inflation expectations survey and the BCRA consensus survey, which estimates the next twelve months "official" inflation (INDEC-reported) at 6.8%, reached 13.2 percentage points. The wide gap shows that INDEC's estimates are strongly distrusted by analysts. Inflation expectations have kept steady during the whole year, hovering around 20%, except in the months of February and August when they jumped to 25%.
MARTINEZ